

Disciplinary and Other NASD Actions

REPORTED FOR APRIL

NASD® has taken disciplinary actions against the following firms and individuals for violations of NASD rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). The information relating to matters contained in this *Notice* is current as of the end of March 2003.

Firm Expelled

American Investment Services, Inc. (CRD #21111, Oklahoma City, Oklahoma) was expelled from NASD membership. The sanction was based on findings that the firm conducted a securities business while failing to maintain its minimum required net capital. NASD also found that the firm prepared inaccurate trial balances and net capital computations and filed inaccurate FOCUS Part IIA reports. The findings also stated that the firm failed to report customer complaints, arbitration proceedings, settlements of arbitration proceedings, and disciplinary actions against registered representatives associated with the firm. Furthermore, the findings stated that the firm executed trades that it did not report accurately as short sales and bunched trades. (NASD Case #C8A020057)

Firms Fined, Individuals Sanctioned

Brookstreet Securities Corporation (CRD #14667, Irvine, California), Stanley Clifton Brooks, (CRD #31684, Registered Principal, San Clemente, California), and Kathleen Margaret McPherson (CRD #1526361, Registered Principal, San Diego, California) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$100,000, jointly and severally, with Brooks and McPherson to the extent of \$25,000. The firm was required to retain an independent consultant to conduct a review and to prepare written reports and make recommendations as to the adequacy of the firm's supervisory and compliance policies and procedures and its system for applying such procedures. Brooks was suspended from association with any NASD member in any principal capacity for 30 days and McPherson was suspended from association with any NASD member in any principal capacity for 15 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Brooks and McPherson, failed to implement, maintain, and enforce either reasonable written supervisory procedures or a reasonable supervisory system that would have enabled the firm to effectively comply with NASD rules and regulations, and to have prevented and detected the violations of these rules and regulations by certain registered representatives it employed.

Brooks' suspension will begin April 24, 2003, and will conclude at the close of business May 23, 2003. McPherson's suspension began April 7, 2003, and will conclude at the close of business April 21, 2003. (NASD Case #C02030010)

Computer Clearing Services, Inc. (CRD #20776, Glendale, California) and Stephen Scott Worcester (CRD #1133812, Registered Principal, Chino Hills, California) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$40,000, jointly and severally with Worcester. In addition, Worcester was fined \$5,000 individually and suspended from association with any NASD member in a financial and operations principal capacity for 45 days. The firm was also required to retain an independent consultant to conduct a review and to prepare written reports and make recommendations as to the adequacy of the firm's financial and operations policies and procedures and its system for applying such procedures. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Worcester, failed to compute accurately the amount required to be deposited into the Special Reserve Bank Account for the Exclusive Benefit of Customers, and failed to deposit into the Reserve Bank Account the amount required to satisfy the firm's reserve requirement. The findings stated that the firm, acting through Worcester, utilized the instrumentalities of interstate commerce to engage in the securities business while failing to have and maintain sufficient net capital. The findings also stated that the firm, acting through Worcester, failed to make, keep current, and preserve accurate financial books and records regarding the income statement, balance sheet, general ledger, securities ledgers, trial balances, net capital computations, and Reserve Bank Account computations, and failed to prepare and preserve accurate supporting documentation to evidence compliance with Securities and Exchange Commission (SEC) rules.

Worcester's suspension began April 7, 2003, and will conclude at the close of business May 21, 2003. (NASD Case #C02030014)

Magellan Securities, Inc. (CRD #15986, Harper Woods, Michigan) and Terry Michael Laymon (CRD #304342, Registered Principal, Grosse Point Woods, Michigan) were censured and fined \$20,000, jointly and severally. Laymon was also barred from association with any NASD member as a supervisor, suspended from association with any NASD member in any principal capacity for two years, and ordered to requalify by exam as a general securities principal before resuming those responsibilities. The sanctions were based on findings that the firm and Laymon failed to exercise reasonable supervision over a registered representative's activities. Specifically, the firm and Laymon failed to conduct an on-site compliance examination of the representative's office, failed to review correspondence generated and received at the representative's office, failed to review the customer account documentation the representative sent to Laymon, and failed to review the representative's trading activity in his securities account at another member firm. In addition, NASD found that Laymon chose not to supervise the representative.

Laymon's suspension began March 3, 2003, and will conclude at the close of business March 2, 2005. (NASD Case #C3B010016)

Firm and Individual Fined

Intrepid Securities, Inc. (CRD#19311, Torrance, California) and Stephen Peter Kelly (CRD #1454359, Registered Principal, Torrance, California) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$10,000, jointly and severally. Without admitting or denying the allegations, the firm and Kelly consented to the described sanctions and to the entry of findings that the firm, while acting under the direction and control of Kelly, failed to establish and maintain a supervisory system reasonably designed to ensure that producing branch managers at its Office of Supervisory Jurisdiction complied with NASD rules. (NASD Case #C02030003)

Firms Fined

Buell Securities Corp. (CRD #1342, Wethersfield, Connecticut) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$15,000, and required to revise its written supervisory procedures concerning the firm's regular and rigorous reviews for best execution within 30 days. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that its supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable laws and regulations concerning the firm's regular and rigorous reviews for best execution. The findings also stated that the firm failed to show the time of entry, time of execution, and the correct time of execution on memorandums of brokerage orders. (NASD Case #CMS030030)

Fleet Securities, Inc. (CRD #13071, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$50,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, as a registered market maker in securities, it failed to execute orders presented at the firm's published bid or published offer in an amount up to its published quotation size, and thereby failed to honor its published quotation. The findings also stated that firm maintained an asked quotation in The NASDAQ Stock Market that caused a locked or crossed market condition to occur. (NASD Case #CMS030024)

Schoff & Baxter, Inc. (CRD #3290, Burlington, Iowa) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanction and to

the entry of findings that it permitted representatives to perform duties as registered persons while their registration status was inactive due to their failure to timely complete the Regulatory Element of NASD's Continuing Education Requirements. (NASD Case #C04030009)

William Blair & Company L.L.C. (CRD #1252, Chicago, Illinois) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, as a market maker in securities, it was a party to a locked or crossed market condition prior to the market opening and received a Trade-or-Move message in each instance through SelectNet®, but, within 30 seconds of receiving such messages, failed to fill the incoming Trade-or-Move message for the full size of the message or move its bid down (offer up) by a quotation increment that would have unlocked/uncrossed the market. (NASD Case #CMS030032)

Individuals Barred or Suspended

Jose A. Arteta (CRD #4163052, Registered Representative, Hawthorne, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Arteta consented to the described sanction and to the entry of findings that he willfully misrepresented a material fact on his Uniform Application for Securities Industry Registration (Form U-4). (NASD Case #C02030007)

Leonardo Balzano (CRD #2387185, Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$12,189.69, required to pay \$12,810.31 in disgorgement of commissions in partial restitution to public customers, and suspended from association with any NASD member in any capacity for 10 months. The fine and restitution must be paid before Balzano reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Balzano consented to the described sanctions and to the entry of findings that he exercised control over customer accounts and effected numerous and excessive securities transactions in these accounts, using unsuitable levels of margin, in a manner that was inconsistent with customer investment objectives. The findings also stated that Balzano recommended and engaged in transactions in the accounts of public customers and did not have reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customers on the basis of their financial situation, investment objectives, and needs.

Balzano's suspension began March 5, 2003, and will conclude January 4, 2004. (NASD Case #C9B030009)

Alan Robert Bluemel (CRD #1549009, Registered Representative, West Valley City, Utah) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,912.50, including disgorgement of commissions earned of \$3,412.50, and suspended from association with any NASD member in any capacity for three months. The fine must be paid before Bluemel reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Bluemel consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed to provide written notification to, or obtain written approval from, his member firm.

Bluemel's suspension began March 17, 2003, and will conclude at the close of business June 16, 2003. (NASD Case #C3A030006)

Richard David Bukowski (CRD #1234505, Registered Representative, Greenfield, Massachusetts) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. In light of the financial status of Bukowski, no monetary sanctions have been imposed. Without admitting or denying the allegations, Bukowski consented to the described sanction and to the entry of findings that he converted and misused insurance customer funds totaling \$35,000 by placing the funds into his personal bank account for his own use and benefit without customer authorization. The findings also stated that Bukowski failed to respond to NASD requests for information. (NASD Case #C11020045)

Mathieu Siddhartha Chamberlain (CRD #2292343, Registered Representative, New York, New York) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 70 days. Without admitting or denying the allegations, Chamberlain consented to the described sanctions and to the entry of findings that he opened an account at his member firm for a public customer and executed a transaction in the account without the customer's prior knowledge, authorization, or consent. The findings also stated that Chamberlain exercised discretion in the accounts of a public customer without consulting with the customer before each transaction, without the customer's prior written authorization, and without his member firm's prior written acceptance of the account as discretionary. NASD also found that Chamberlain exceeded his authority and executed the sale of stock in the accounts of public customers without the prior knowledge, authorization, or consent of the customer or the other account holders.

Chamberlain's suspension began March 17, 2003, and will conclude May 25, 2003. (NASD Case #C10020067)

Michael Chien (CRD #3066470, Registered Principal, Sunrise, Florida), Scott Keith Kaplan (CRD #2908394, Registered Representative, Brooklyn, New York), and Chiaying Wong (CRD #3059293, Registered Principal, Brooklyn, New York) submitted Offers of Settlement in which Chien and Kaplan were each barred from association with any NASD member in any capacity and Wong was suspended from association with any NASD member in any principal capacity for six months. Wong is also required to re-qualify by exam before acting again in any principal capacity. In light of the financial status of Kaplan and Wong, no monetary sanctions have been imposed. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Chien served as his member firm's co-president and supervised a branch office without being properly qualified or registered as a principal. The findings also stated that Chien, acting on behalf of his member firm, initiated sales efforts to privately place \$21 million of common stock of an affiliated company through a purported Regulation D, Rule 506 offering although there was no registration in effect for the offering and it did not comply with Rule 506 or any other registration exemption.

The findings also stated that Kaplan engaged in the distribution of shares of the common stock although no registration statement had been filed with the SEC or was in effect for the offering. NASD also found that Chien acted recklessly in creating offering memoranda that contained material misrepresentations and omissions of material fact. In addition, NASD found that Chien and Wong failed to supervise adequately the sales practices of an associated person at their member firm's branch office, and Chien failed to take adequate steps to investigate "red flags" indicating that associated persons were engaging in sales practice violations. Moreover, NASD found that Chien assisted in the design and creation of a Web site that failed to provide a balanced statement of the benefits and risks of investing in the common stock of an affiliated company and the target companies, failed to reflect sufficiently the inherent uncertainty of investment returns, and included inaccurate and exaggerated claims about one of the target companies. Furthermore, NASD found that Kaplan failed to disclose any specific risks to public customers, made material misrepresentations to the customers, and made price predictions.

Wong's suspension began April 7, 2003, and will conclude at the close of business October 6, 2003. **(NASD Case #CAF020024)**

Thomas Edwin Christensen (CRD #2480652, Registered Principal, White Plains, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Christensen failed to respond to NASD requests for information. The findings also stated that Christensen made baseless predictions of price increases without

a reasonable basis in soliciting public customers and potential customers to purchase stocks. **(NASD Case #C07020071)**

Laura Leigh Cockrell (CRD #2738492, Registered Representative, Spring Hill, Tennessee) was barred from association with any NASD member in any capacity. The sanction was based on findings that Cockrell generated checks totaling \$77,100 drawn on her member firm's house postage account, public customer accounts, and one firm employee account without the knowledge or consent of either the firm or the account holders, and deposited the checks in an account under her control, thereby converting the funds to her own use and benefit. The findings also stated that Cockrell failed to respond to NASD requests for information. **(NASD Case #C05020046)**

Mitchell Mark Cohen (CRD #1584397, Registered Principal, Roslyn, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$42,000, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam as a general securities representative within 90 days after reassociation with any NASD member. In light of the financial status of Cohen, a fine of \$42,000 has been imposed. The fine must be paid before Cohen reassociates with any NASD member following the suspension. Without admitting or denying the allegations, Cohen consented to the described sanctions and to the entry of findings that in contravention of the Board of Governors Free-Riding and Withholding Interpretation, Cohen purchased shares of an initial public offering for his own investment account that traded at a premium in the immediate aftermarket to restricted persons (a "hot issue"). The findings also stated that Cohen failed to provide written notification to any of his member firms of the maintenance of his accounts at another member firm in which he had a beneficial interest. In addition, NASD found that Cohen failed and neglected to provide written notification to the firm with which he maintained the account of his association with any of his member firms.

Cohen's suspension will begin April 21, 2003, and will conclude at the close of business May 20, 2003. **(NASD Case #C05030011)**

Stephen John Critchfield (CRD #2228772, Registered Representative, Colts Neck, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Critchfield consented to the described sanction and to the entry of findings that he altered a customer's annuity statement by deleting the customer's identifying information and replacing it with his own. The findings also stated that Critchfield further sent this altered document to a bank that was considering his mortgage application as verification of his assets. In addition, NASD found that Critchfield completed a "Verification of Employment Form" in connection with the subject mortgage application that

contained false and misleading information regarding his salary and position at his member firm. Furthermore, NASD found that Critchfield forged the signature of a purported vice president of his member firm on the form and submitted the forged document to the bank considering his mortgage application. (NASD Case #C9B030008)

Jacques Manlio Chrysoschoos (CRD #2774892, Registered Representative, St. Petersburg, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Chrysoschoos consented to the described sanction and to the entry of findings that he participated in private securities transactions and in outside business activities without providing prior written notification to his member firm. (NASD Case #C07030011)

Sean Courtney (CRD #4392645, Associated Person, Brooklyn, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Courtney failed to respond to NASD requests for information. Courtney also submitted a materially false Form U-4. (NASD Case #C10020100)

Gary Donald Cowell (CRD #1063414, Registered Representative, West Mifflin, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000, suspended from association with any NASD member in any capacity for one year, and ordered to disgorge \$47,550, plus interest, in commissions in partial restitution to public customers. The fine and restitution must be paid before Cowell reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Cowell consented to the described sanctions and to the entry of findings that he engaged in business activities outside the scope of his employment with a member firm and failed to provide his member firm with written notice. The findings also stated that Cowell engaged in private securities transactions outside the scope of his employment with a member firm, and failed to provide his member firm with prior written notice describing the proposed transactions and his proposed role in them.

Cowell's suspension began March 17, 2003, and will conclude at the close of business March 16, 2004. (NASD Case #C9A030004)

Steven Emerson Davis (CRD #2329249, Registered Representative, Winston-Salem, North Carolina) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Davis consented to the described sanction and to the entry of findings that, in an attempt to induce public customers to do business with him, Davis made misrepresentations to the customers, including

falsely representing that his client list included celebrities. The findings also stated that Davis failed to respond to an NASD request to provide sworn testimony. (NASD Case #C07030010)

John Christian Ferraro (CRD #2756017, Registered Representative, Islip, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Ferraro engaged in unauthorized transactions in the account of a public customer without the prior knowledge, authorization, or consent of the customer. The findings also stated that Ferraro executed discretionary transactions in the account of a public customer without obtaining prior written authorization from the customer or prior written acceptance of the account as discretionary from his member firm. NASD also found that Ferraro made unsuitable recommendations to a public customer and engaged in excessive trading in the customer's account without reasonable grounds for believing that his recommendations and trading were suitable for the customer based upon the customer's financial situation and needs. (NASD Case #C10020088)

Kenneth Louis Fiacco (CRD #1815268, Registered Principal, Coto de Caza, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$20,000, payable to a public customer as restitution, and suspended from association with any NASD member in any capacity for 90 business days. The fine payments must be current before Fiacco reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Fiacco consented to the described sanctions and to the entry of findings that he recommended an investment strategy for the account of a public customer that was unsuitable for the customer in view of the frequency and nature of the recommended transactions and the customer's financial situation, objectives, circumstances, and needs.

Fiacco's suspension began March 17, 2003, and will conclude at the close of business July 23, 2003. (NASD Case #C02030002)

James Stanley Freeman (CRD #1401714, Registered Representative, Citrus Heights, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$15,250, including disgorgement of \$10,250 in commissions earned, and suspended from association with any NASD member in any capacity for six months. The fine must be paid before Freeman reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Freeman consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without prior written notice to, and approval from, his member firm. The findings also stated that Freeman engaged in outside business activities, for compensation, without providing prompt written notice to his member firm.

Freeman's suspension began April 7, 2003, and will conclude at the close of business October 6, 2003. (NASD Case #C01030006)

Anthony Charles Fricano (CRD #1161253, Registered Representative, Brookfield, Wisconsin) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,950, including disgorgement of \$950 in commissions earned, and suspended from association with any NASD member in any capacity for two months. Without admitting or denying the allegations, Fricano consented to the described sanctions and to the entry of findings that he participated in private securities transactions, for compensation, failed and neglected to give written notice of his intention to engage in such activities to his member firm, and failed to receive written approval from his member firm prior to engaging in such activities.

Fricano's suspension began March 17, 2003, and will conclude at the close of business May 16, 2003. (NASD Case #C8A030011)

Anthony Galeotafiore (CRD #2507162, Registered Principal, Melville, New York), Francis Louis Smookler, Jr. (CRD #2712672, Registered Representative, Arlington, Virginia), and Mark David Pellettieri (CRD #2380691, Registered Principal, Melville, New York) submitted an Offer of Settlement in which they were each fined \$5,000, suspended from association with any NASD member in any capacity for three months, and ordered to disgorge \$250,150, jointly and severally, in consulting fees. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they engaged in private securities transactions, for compensation, and failed to provide prior written notice to their member firm describing in detail the proposed transactions, their roles therein, and whether they had received, or might receive, selling compensation in connection with the transactions. The findings also stated that Galeotafiore, Smookler, and Pellettieri participated in outside business activities and failed to provide prompt written notice to their member firm.

Smookler's and Pellettieri's suspensions began March 17, 2003, and will conclude at the close of business June 16, 2003. Galeotafiore's suspension began April 7, 2003, and will conclude at the close of business July 6, 2003. (NASD Case #CLI020006)

Kenneth Joseph Gilmore (CRD #1047301, Registered Principal, Gillette, New Jersey) was fined \$7,500 and suspended from association with any NASD member in any capacity for 10 business days. The fine must be paid before Gilmore reassociates with any NASD member following the suspension. The sanctions were based on findings that Gilmore caused his member firm's books and records to be inaccurate in that he falsified records.

Gilmore's suspension began March 3, 2003, and concluded at the close of business March 14, 2003. (NASD Case #C9B020037)

Bruce William Haffner (CRD #1325040, Registered Representative, Hinsdale, Illinois) submitted an Offer of Settlement in which he was suspended from association with any NASD member in any capacity for 120 days. In light of the financial status of Haffner, no monetary sanction has been imposed. Without admitting or denying the allegations, Haffner consented to the described sanction and to the entry of findings that he entered into a settlement agreement with public customers, without his member firm's knowledge or consent, whereby he agreed to compensate the customers for the losses sustained in their accounts. NASD also found that Haffner exercised discretion in the accounts of public customers without having obtained prior written authorization from the customers and prior written acceptance of the accounts as discretionary by his member firm. The findings also stated that Haffner failed to respond to NASD requests for documents and information.

Haffner's suspension began April 7, 2003, and will conclude at the close of business August 4, 2003. (NASD Case #C8A020060)

David Edward Hausch (CRD #2353438, Registered Principal, East Northport, New York) submitted an Offer of Settlement in which he was suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Hausch consented to the described sanction and to the entry of findings that he failed to testify truthfully, accurately, non-deceptively, and/or completely during an NASD on-the-record interview.

Hausch's suspension began April 7, 2003, and will conclude at the close of business April 6, 2005. (NASD Case #C10990158)

Kevan Thomas Hauver (CRD #4517591, Registered Representative, New Bedford, Massachusetts) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hauver consented to the described sanction and to the entry of findings that he willfully failed to disclose material facts on his Form U-4. (NASD Case #C11020046)

Dean Hoang (CRD #2633633, Associated Person, Huntington Beach, California) was barred from association with any NASD member in any capacity. The sanction was based on findings that Hoang willfully failed to disclose material facts on his Form U-4. (NASD Case #C02020040)

J. Craig Hili (CRD #2531966, Registered Representative, Miami Beach, Florida) submitted an Offer of Settlement in which he was fined \$13,637.20, including disgorgement of commissions received of \$8,637.20, required to pay \$44,917.05

in restitution to public customers, and suspended from association with any NASD member in any capacity for 60 days. The fine and restitution must be paid before Hili reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Hili consented to the described sanctions and to the entry of findings that he engaged in unauthorized transactions in public customer accounts.

Hili's suspension began April 7, 2003, and will conclude at the close of business June 5, 2003. (NASD Case #C3A020040)

Mark William Holdom (CRD #2764717, Registered Representative, Studio City, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. In light of the financial status of Holdom, no monetary sanctions have been imposed. Without admitting or denying the allegations, Holdom consented to the described sanction and to the entry of findings that he effected, or caused to be effected, transactions in the securities accounts of public customers by exercising discretionary power in the accounts without having obtained the customers' and his member firm's prior written authorization. The findings also stated that Holdom executed, and/or caused to be executed, unauthorized transactions in the account of a public customer without the customer's knowledge, authorization, and consent. The findings further stated that Holdom recommended and engaged in transactions in the accounts of public customers without having reasonable grounds for believing that his recommendations and resultant transactions were suitable for the customers on the basis of their financial situation, investment objectives, and needs. (NASD Case #C02030012)

Michael George Ingram (CRD #1902188, Registered Representative, Titusville, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Ingram consented to the described sanction and to the entry of findings that he obtained \$35,000 from a public customer for investment purposes, failed to invest the funds, and converted the funds for his own use and benefit. The findings also stated that Ingram failed to respond to NASD requests for information. (NASD Case #C07030009)

Howard Scott Ismark (CRD #2928579, Registered Representative, North Miami Beach, Florida) was barred from association with any NASD member in any capacity and ordered to pay \$3,518.64, plus interest, in restitution to a public customer. The sanctions were based on findings that Ismark executed transactions in the accounts of public customers without their prior authorization. The findings also stated that Ismark failed to respond to NASD requests for information and documents. Ismark also participated in a private securities

transaction without providing prior written notice of the transaction to his member firm. (NASD Case #C07020070)

Willard Grant Johnson (CRD #1602686, Registered Representative, Geneseo, Illinois) submitted an Offer of Settlement in which he was suspended from association with any NASD member in any capacity for six months. In light of the financial status of Johnson, no monetary sanction has been imposed. Without admitting or denying the allegations, Johnson consented to the described sanction and to the entry of findings that he engaged in outside business activities by receiving compensation for selling pay telephone leases. The findings stated that Johnson failed to give prompt written notice of his engagement in such activities to his member firm.

Johnson's suspension began April 7, 2003, and will conclude at the close of business October 6, 2003. (NASD Case #C8A020078)

Greer Alan Kendall (CRD #1557479, Registered Principal, Coppell, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for 18 months. The fine must be paid before Freeman reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Kendall consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to provide prior notice, written or otherwise, to his member firm describing the proposed transactions, his role therein, and whether he had received, or might receive, selling compensation in connection with these transactions.

Kendall's suspension began March 17, 2003, and will conclude at the close of business September 16, 2004. (NASD Case #C06030003)

Gregory Scott Kolb (CRD #1170145, Registered Representative, Powell, Wyoming) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for two years. The fine must be paid before Kolb reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Kolb consented to the described sanctions and to the entry of findings that he recommended to members of the public that they sell mutual fund "B" shares and purchase mutual fund "A" shares in their securities accounts maintained at his member firm. The findings stated that these recommendations resulted in transaction costs that exceeded the savings that could be realized from the purchase of "A" shares through lower Rule 12b-1 fees when alternatives were available to achieve the accounts' objectives at lower cost.

Kolb's suspension began March 3, 2003, and will conclude at the close of business March 2, 2005. (NASD Case #C3A030005)

Daniel A. Kyman (CRD #4276618, Registered Representative, Gilbert, Arizona) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 18 months. The fine must be paid before Kyman reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Kyman consented to the described sanctions and to the entry of findings that he engaged in outside business activities, for compensation, and failed to provide his member firm with prompt written notice.

Kyman's suspension began April 7, 2003, and will conclude at the close of business October 6, 2004. (NASD Case #C3A020054)

William Alexander Lawson (CRD #3105513, Associated Person, Charleston, South Carolina) was barred from association with any NASD member in any capacity. The sanction was based on findings that Lawson submitted a materially false Form U-4 and failed to respond to NASD requests for information. (NASD Case #C07020079)

James C. Lewis (CRD #4083964, Registered Representative, Crawford, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for three months. The fine must be paid before Lewis reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Lewis consented to the described sanctions and to the entry of findings that he signed the name of a public customer to letters of authorization for the liquidation of securities, without the knowledge or consent of the customer.

Lewis' suspension began March 17, 2003, and will conclude at the close of business June 16, 2003. (NASD Case #C05030008)

Edward Leoncio Mesa (CRD #1192539, Registered Representative, Homestead, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$7,500, suspended from association with any NASD member in any capacity for 18 months, and ordered to disgorge \$85,200, plus interest, in ill-gotten gains in partial restitution to public customers. The fine and restitution must be paid before Mesa reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Mesa consented to the described sanctions and to the entry of findings that he

engaged in private securities transactions without giving prior written notice to, or receiving prior written permission from, his member firm.

Mesa's suspension began March 17, 2003, and will conclude at the close of business September 16, 2004. (NASD Case #C07030008)

Wesley Lawrence Moschetto (CRD #4158356, Registered Principal, Tamarac, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Moschetto consented to the described sanction and to the entry of findings that he changed account information of public customers at his member firm and executed trades in their accounts without authorization from the customers. The findings also stated that Moschetto effected unauthorized wire transfers totaling \$129,700.63 from the accounts of public customers to a bank account under his control, thereby converting the funds to his own use. NASD also found that Moschetto failed to respond to NASD requests for information. (NASD Case #C07030012)

Adam Mosslih (CRD #2601978, Registered Representative, Syosset, New York) submitted an Offer of Settlement in which he was fined \$22,512.82, including the disgorgement of commissions received of \$2,512.50, required to pay \$24,473.04 in restitution to public customers, and suspended from association with any NASD member in any capacity for 31 days. Without admitting or denying the allegations, Mosslih consented to the described sanctions and to the entry of findings that he engaged in unauthorized transactions in public customer accounts.

Mosslih's suspension began April 7, 2003, and will conclude at the close of business May 7, 2003. (NASD Case #C3A020041)

Anthony Benjamin Phillips (CRD #2436301, Registered Representative, South Holland, Illinois) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Phillips consented to the described sanction and to the entry of findings that he participated in a private securities transaction, failed and neglected to give written notice of his intention to engage in such activities to his member firm, and failed to receive written approval from the firm prior to engaging in such activities. The findings also stated that Phillips failed to respond to NASD requests for documents and information. (NASD Case #C8A020089)

John Franklin Pinnix, III (CRD #3239999, Registered Representative, Lacombe, Louisiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any

capacity for six months. The fine must be paid before Pinnix reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Pinnix consented to the described sanctions and to the entry of findings that he willfully failed to amend his Form U-4 to disclose a material fact.

Pinnix's suspension will begin April 21, 2003, and will conclude at the close of business October 20, 2003. (NASD Case #C05030012)

Jeffrey David Post (CRD #2717986, Registered Representative, Mesa, Arizona) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Post consented to the described sanction and to the entry of findings that he converted \$6,310 remitted by public customers for payment towards variable life insurance policies and for investment in a mutual fund for his own use and benefit without the customers' prior knowledge, authorization, or consent. The findings also stated that Post failed to respond to NASD requests for information. (NASD Case #CLI030004)

Michael John Price (CRD #1723203, Registered Principal, Atlanta, Georgia) submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for 30 business days. The fine must be paid before Price reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Price consented to the described sanctions and to the entry of findings that he exercised discretionary power in the account of a public customer without prior written authorization from the customer and without having the account accepted as discretionary by his member firm.

Price's suspension began April 7, 2003, and will conclude at the close of business May 19, 2003. (NASD Case #C07020081)

Allen Douglas Ray, Jr. (CRD #1904019, Registered Representative, Matthews, North Carolina) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Ray consented to the described sanction and to the entry of findings that he participated in an outside business activity without providing written notice to his member firm. The findings also stated that Ray failed to respond to an NASD request to provide sworn testimony. (NASD Case #C07030013)

Hugh Charles Robinson (CRD #1057735, Registered Principal, Cherry Hill, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which Robinson was suspended from association with any NASD member in any

capacity for six months. In light of the financial status of Robinson, no monetary sanction has been imposed. Without admitting or denying the allegations, Robinson consented to the described sanction and to the entry of findings that he engaged in outside business activities without prompt written notice to his member firm.

Robinson's suspension began April 7, 2003, and will conclude at the close of business October 6, 2003. (NASD Case #C9A030007)

Mark David Romano (CRD #1431260, Registered Representative, Lakewood, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$27,315, including disgorgement of \$22,315 in net commissions received, and suspended from association with any NASD member in any capacity for 18 months. The fine must be paid before Romano reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Romano consented to the described sanctions and to the entry of findings that he engaged in outside business activities without giving prompt written notification to any of his member firms.

Romano's suspension began March 17, 2003, and will conclude at the close of business September 16, 2004. (NASD Case #C02030005)

Thomas Daniel Roskin (CRD #2267315, Registered Representative, New York, New York) submitted an Offer of Settlement in which he was fined \$35,000, suspended from association with any NASD member in any capacity for two years, ordered to pay \$16,120.62, plus interest, in restitution to public customers, and ordered to requalify as a general securities representative within 120 days of his reassociation with any NASD member following the suspension. The fine and restitution must be paid before Roskin reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Roskin consented to the described sanctions and to the entry of findings that he executed transactions in the accounts of public customers without their prior knowledge, authorization, or consent. The findings also stated that Roskin, through means or instrumentalities of interstate commerce or of the mails, intentionally, knowingly, or recklessly employed a device, scheme, contrivance, and artifice to defraud; omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices, or courses of business that operated as a fraud or deceit upon public customers. In addition, NASD found that Roskin, through means or instrumentalities of interstate commerce or of the mails, intentionally and/or recklessly made material, misleading, and/or false representations to a public customer that were

without a reasonable basis, and failed to disclose material information including, but not limited to, negative information about a company and investment risks. NASD also found that Roskin opened a new brokerage account at his member firm under the name of a public customer without the customer's prior knowledge, authorization, or consent, and executed an unauthorized transaction in the account. Moreover, NASD found that Roskin executed unauthorized transactions in the account of a public customer, cancelled one transaction after the customer complained, and falsely represented to his member firm on a firm internal cancellation form that the customer was unable to pay for the transaction.

Roskin's suspension began April 7, 2003, and will conclude at the close of business April 6, 2005. (NASD Case #C10010140)

Robby Don Schumacher (CRD #2714791, Registered Representative, Long Beach, New York) was fined \$17,763, required to pay \$8,012.57, plus interest, in restitution to public customers, and suspended from association with any NASD member in any capacity for 90 days. The fine must be paid before Schumacher reassociates with any NASD member. The sanction was based on findings that Schumacher executed unauthorized trading in public customer accounts.

Schumacher's suspension began March 17, 2003, and will conclude June 14, 2003. (NASD Case #C3A020038)

Timothy John Sherer (CRD #833618, Registered Representative, Saratoga, California) submitted an Offer of Settlement in which he was fined \$37,000 and suspended from association with any NASD member in any capacity for six months. The fine must be paid before Sherer reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Sherer consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to, and receiving written approval from, his member firm.

Sherer's suspension began April 7, 2003, and will conclude at the close of business October 6, 2003. (NASD Case #C01020011)

Stephen Joseph Stoop, Jr. (CRD #4030969, Registered Representative, Woodbridge, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Stoop consented to the described sanction and to the entry of findings that he willfully failed to disclose material facts on his Form U-4. (NASD Case #C9B030006)

Frederick Stratton Sundin (CRD #1489465, Registered Representative, Cranston, Rhode Island) submitted a Letter

of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and required to pay \$58,551.02, plus interest, in restitution to a public customer. Without admitting or denying the allegations, Sundin consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without providing prior written notice to, and receiving prior written approval from, his member firm. The findings also stated that Sundin recommended and initiated a \$55,551.02 purchase by a public customer of a limited partnership interest without having reasonable grounds for believing that the recommendation and resulting transaction were suitable. In addition, NASD found that Sundin failed to respond completely to NASD requests for information. (NASD Case #C11030006)

Gregory James Toth (CRD #2620359, Registered Representative, White Plains, New York) submitted an Offer of Settlement that stipulates the following: that he is suspended from association with any NASD member in any capacity for one year, shall not associate with any NASD member and be supervised by any individual who has previously been associated with a disciplined firm as defined in NASD Conduct Rule 3010(b)(2)(x), and shall be subject to special supervision including, but not limited to, the monitoring of his sales presentations on at least a monthly basis for one year after he becomes registered with an NASD member. In light of the financial status of Toth, no monetary sanctions have been imposed. Without admitting or denying the allegations, Toth consented to the described sanctions and to the entry of findings that he used high-pressure sales tactics and knowingly made numerous baseless predictions of substantial price increases and misrepresentations of fact to public customers and potential customers in connection with the solicitation of orders to purchase a common stock.

Toth's suspension began April 7, 2003, and will conclude at the close of business April 6, 2004. (NASD Case #C07020067)

Jorge G. Trejo (CRD #2604823, Associated Person, Cicero, Illinois) was barred from association with any NASD member in any capacity. The sanction was based on findings that Trejo converted funds from his member firm's checking account, without knowledge or consent of the firm. (NASD Case #C8A020068)

Dean Lloyd Welsh (CRD #2454880, Registered Representative, Carlsbad, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Welsh consented to the described sanction and to the entry of findings that he failed to respond to an NASD request to appear for an off-the-record interview, and to provide information and documents. (NASD Case #C02030008)

Colin Eric Whittle (CRD #3131319, Registered Representative, Brooklyn, New York) was barred from association with any NASD member in any capacity and ordered to pay \$14,660.11, plus interest, in restitution to a public customer. The sanctions were based on findings that Whittle failed to respond to NASD requests for information and documents. The findings also stated that Whittle engaged in transactions in the account of a former public customer without the knowledge, authorization, or consent of the customer. (NASD Case #C10020085)

Joseph Michael Wilkins (CRD #4449883, Associated Person, Denver, North Carolina) was barred from association with any NASD member in any capacity. The sanction was based on findings that Wilkins failed to respond to NASD requests for information. Wilkins also failed to disclose material facts on his Form U-4. (NASD Case #C07020088)

Complaints Filed

The following complaints were issued by NASD. Issuance of a disciplinary complaint represents the initiation of a formal proceeding by NASD in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Anthony James Apuzza (CRD #2431669, Registered Representative, Staten Island, New York) was named as a respondent in an NASD complaint alleging that while using the means and instrumentalities of interstate commerce to offer securities for sale, he omitted to state material facts necessary in order to make the statements made in connection with such offer, in light of the circumstances in which they were made, not misleading. The complaint also alleges that Apuzza made material misrepresentations in the form of price predictions to induce transactions and the transactions did occur. (NASD Case #C3A030007)

Christian William Blake (CRD #2216784, Registered Representative, Brooklyn, New York) was named as a respondent in an NASD complaint alleging that he effected transactions in the account of a public customer without the customer's prior knowledge, authorization, or consent. The complaint also alleges that Blake failed to respond to an NASD request to appear for an on-the-record interview. (NASD Case #C10030012)

Barbara Lynch Brandenburg (CRD #28824, Registered Representative, Dallas, Texas) was named as a respondent in an NASD complaint alleging that she caused checks totaling \$79,000 to issue from the accounts of public customers held at her member firm, without the knowledge or consent of the firm

or the account holders, endorsed each check with the names of the customers, and deposited the checks into an account under her control. The complaint also alleges that Brandenburg failed to respond to NASD requests for information. (NASD Case #C05030009)

Robert Preston Buckingham (CRD #2808859, Registered Representative, Omaha, Nebraska) was named as a respondent in an NASD complaint alleging that he processed checks totaling \$95,000 received by his member firm from public customers for deposit into the customers' brokerage accounts and, without the customers' knowledge or consent, converted the customers' funds by making internal accounting entries on the books and records of the firm, causing the checks to be deposited in Buckingham's personal brokerage account at his member firm and converting the funds for his own use and benefit. The complaint also alleges that Buckingham failed to respond to NASD requests for information. (NASD Case #C04030006)

Steven Richard Jaloza (CRD #1320831, Registered Principal, Muttontown, New York) and Salvatore Anthony Fradella (CRD #1482494, Registered Principal, Manhasset, New York) were named as respondents in an NASD complaint alleging that they, directly or indirectly, by the use of any means or instrumentalities of interstate commerce or of the mails, or any facility of any national securities exchange, employed artifices, devices, or schemes to defraud, made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or engaged in acts, practices, or courses of business that operated, or would operate, as a fraud or deceit; and induced the purchase of securities by means of manipulative, deceptive, or other fraudulent devices or contrivances.

The complaint also alleges that Jaloza and Fradella failed to disclose to investors in a private placement offering that their member firm was making loan payments to an outside business entity and might provide funding to an outside business in which they had a self-interest, and other supplemental material information regarding the loan. The complaint further alleges that Jaloza and Fradella made material omissions of fact concerning the number of customer accounts their member firm maintained in discussing the creation of an online Internet division and the number of users to support the development of its online division. The complaint further alleges that Jaloza and Fradella failed to exercise reasonable care in connection with their decision, on behalf of their member firm, to invest in an outside business entity and failed to engage in any meaningful examination of its business operations, breaching the duty of care they owed to their member firm's shareholders. Moreover, the complaint alleges that Jaloza caused his member firm to fail to make and preserve required books and records and failed to ensure that his member firm filed its monthly FOCUS reports. (NASD Case #CLI030003)

Tad Enrique Mihalopoulos, Sr. (CRD #2035916, Registered Representative, Tracy, California) was named as a respondent in an NASD complaint alleging that he sold government Class B mutual fund shares to public customers without disclosing to the customers that they were investing in Class B shares, that the shares were subject to contingent deferred sales charges, or that the shares were subject to contingent deferred sales charges for a longer period of time than was originally stated. The complaint also alleges that Mihalopoulos submitted investment order authorizations signed by the customers to his member firm that falsely represented that Mihalopoulos had accurately disclosed contingent deferred sales charges to the customers. (NASD Case #C01030004)

Seth Paul Page (CRD #2457887, Registered Representative, Bayonne, New Jersey) was named as a respondent in an NASD complaint alleging that he signed a public customer's signature to a Client Agreement form and a letter regarding a new address without the customer's consent or authority. The complaint also alleges that Page executed securities transactions in the account of a public customer without the customer's prior knowledge, authorization, or consent. Furthermore, the complaint alleges that Page failed to respond to NASD requests for information and to provide testimony. (NASD Case #C9B030011)

Thomas Michael Rohrer (CRD #858539, Registered Representative, Glenview, Illinois) was named as a respondent in an NASD complaint alleging that Rohrer recommended and effected transactions that constituted excessive trading activity for an individual retirement account (IRA) of a public customer, without having a reasonable basis for believing that the recommendations and resultant transactions were suitable for the customer, based upon customer's age, net worth, financial situation, investment objectives, and medical condition. The complaint also alleges that Rohrer purchased or sold, or caused the purchase or sale of, various securities for the IRA of a public customer without the knowledge or consent of the customer or her daughter who had a power of attorney over the assets of the customer, and in the absence of written or oral authorization to Rohrer to exercise discretion in said account. The complaint further alleges that Rohrer failed to provide truthful and non-misleading information to NASD during an on-the-record interview. (NASD Case #C8A030012)

Curtis Larry Williams, Jr. (CRD #3142719, Registered Representative, Lake Charles, Louisiana) was named as a respondent in an NASD complaint alleging that he participated in private securities transactions without prior written notice to, or approval from, his member firm. The complaint also alleges that Williams misused customer funds by depositing customers' checks into his personal bank account and later investing the funds in his name. (NASD Case #C05030010)

Firm Suspended for Failure to Supply Financial Information

The following firm was suspended from membership in NASD for failure to comply with formal written requests to submit financial information to NASD. The action was based on the provisions of NASD Rule 8221. The date the suspension commenced is listed after the entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

Richard J. Altobelli & Co.
Ashburnham, Massachusetts
(February 13, 2003)

Individuals Barred Pursuant to NASD Rule 9544 for Failure to Provide Information Requested Under NASD Rule 8210

The date the bar became effective is listed after the entry.

Fried, Lanny T.
New York, New York
(February 28, 2003)

Gates, Frank Jay
Roseville, California
(March 4, 2003)

George, Audrey Sue
Littleton, Colorado
(February 28, 2003)

Ko, Benny
Walnut, California
(March 3, 2003)

Leone, Christopher M.
Coconut Creek, Florida
(February 19, 2003)

Lisnoff, Jr., Robert W.
Medford, New York
(March 7, 2003)

O'Connor, Theresa A.
San Francisco, California
(March 4, 2003)

Prentice, Edward E.
Sacramento, California
(March 3, 2003)

Strocchio, Rick F.
Lombard, Illinois
(February 19, 2003)

Individuals Suspended Pursuant to NASD Rule 9541(b) for Failure to Provide Information Requested Under NASD Rule 8210

The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.

Fearn, Kevin M.
Delaware, Ohio
(February 21, 2003)

Hedburg, Russell Glen
Rockford, Illinois
(March 6, 2003)

Kanabroski, Dana
Union, Kentucky
(March 7, 2003)

Robinson, Paul
Marietta, Georgia
(March 4, 2003)

Shain, Russell
Brooklyn, New York
(February 21, 2003)

Young, Ernest
Chicago, Illinois
(February 6, 2003)

Individuals Revoked for Failing to Pay Fines and/or Costs in Accordance with NASD Rule 8320

Holzer, Richard J.
Montville, New Jersey
(February 10, 2003)

Walson, Carl R.
Santa Barbara, California
(February 10, 2003)

NASD Charges Frank Quattrone with Spinning, Undermining Research Analyst Objectivity, Failure to Cooperate in Investigation

NASD charged Frank P. Quattrone, formerly the head of Credit Suisse First Boston's (CSFB's) technology sector investment banking unit (Tech Group), with "spinning" violations, as well as creating and overseeing a flawed organizational structure that undermined research analyst objectivity. In a separate complaint filed today, NASD also charged Quattrone with failing to cooperate in an NASD investigation into whether he encouraged CSFB Tech Group employees to destroy documents after he was notified of NASD and federal investigations. These complaints are an outgrowth of NASD investigations into investment banking activities, including IPO pricing and analyst conflict of interest, that began in May 2000.

"Recent investigations into conflicts of interest on Wall Street have shown that in too many cases in the past, investors' interests were compromised for greater investment banking revenues," said Mary L. Schapiro, NASD's Vice Chairman and President of Regulatory Policy and Oversight. "In restoring integrity to our markets and investor confidence in our industry, it is absolutely necessary that we hold individuals responsible for these abuses accountable. Institutions can only act through people and when individuals violate our rules, enforcement actions with meaningful sanctions must follow."

The first of the two complaints filed today alleges the following:

When Quattrone joined CSFB in 1998, he was already an established investment-banking star. At CSFB, Quattrone continued to play a dominant role in the business of underwriting new issues for technology companies. Quattrone created what amounted to a firm-within-a-firm at CSFB, bringing with him dozens of colleagues and associates and fashioning an organizational structure under which research analysts, investment bankers, and brokers all reported to him. This structure was enormously successful. In 1999, CSFB managed more U.S. IPOs than any other firm. In 2000, investment banking was the firm's second largest revenue source, generating \$3.68 billion, a 60 percent increase over the year before. Quattrone's profited substantially as well. Between August of 1998 and the end of 2001, he personally received compensation of over \$200 million.

One way Quattrone's Tech Group sought to win and retain investment-banking business was by "spinning" IPO shares; for example, giving access to hot IPOs to select corporate executives who could influence their employers' choice of investment bankers. Spinning took a uniquely aggressive form in the Tech Group. In making presentations to prospective investment banking clients, the Tech Group held out access to IPO shares as an inducement to the prospective client's officials. The group

also identified "strategic" technology company insiders and ranked them according to their perceived ability to influence their companies' choice of investment bankers. At its peak, there were over 300 accounts popularly known as "Friends of Frank" accounts. Through managed discretionary trading accounts, the Tech Group allocated IPO shares to such individuals and, in aftermarket trading, flipped shares back to CSFB, producing substantial profits for the owners of the accounts. To prevent dilution of the IPO profits, the Tech Group discouraged the owners from trading in the accounts themselves. To ensure that the owners knew how much money was being made for them, the group sent them monthly unofficial performance reports enumerating realized and unrealized gains and rates of return. The unofficial report on one such account reflected total gains of more than \$1.3 million and a rate of return of nearly 58,000 percent over a 19-month time period. Because dispensing such profits to tech company insiders was tantamount to giving them cash gifts, the practice violated NASD gifts and gratuities rules.

Another way the Tech Group sought to obtain business was by holding out to prospective clients the prospect of CSFB's issuing favorable research about them. Tech Group research analysts actively participated in soliciting investment-banking business. "Pitch books" used in presentations to prospective clients included excerpts from favorable research reports prepared by Tech Group analysts for other CSFB client companies. Quattrone created a powerful incentive for analysts to initiate and maintain positive coverage on investment banking clients by linking their compensation to investment banking revenue and encouraging investment bankers to participate in analysts' performance evaluations. He also allowed issuers to review and comment on draft research reports, including proposed recommendations and price targets. These practices compromised the independence and objectivity of the Tech Group's analysts.

By creating the inherently flawed reporting and supervisory structure under which these improper practices flourished, and by allowing and endorsing these practices, Quattrone violated NASD rules.

This action grew out of the coordinated research analyst investigations led by the SEC and conducted by NASD in conjunction with the NYSE and other regulators.

In the second complaint filed today, NASD charged Quattrone with failing to appear for investigative testimony before NASD. The expected testimony was to cover a number of subjects, including whether Quattrone encouraged CSFB employees in the Tech Group to destroy documents after being notified of NASD and federal investigations. Quattrone was notified as early as June 2000 that NASD was investigating CSFB's IPO allocation practices, and was specifically counseled then not to alter or

destroy documents. In September 2000, Quattrone was advised of an SEC investigation, and on December 3, 2000, he was notified of a federal grand jury investigation of those same practices. Yet on December 5, 2000, Quattrone sent an e-mail to Tech Group employees encouraging them to cleanse their files. In January 2002, CSFB settled charges relating to this IPO profit sharing investigation, paying NASD and the SEC \$100 million.

Under NASD rules, a firm or individual named in a complaint can file a response and request a hearing before an NASD disciplinary panel. Possible remedies include a fine, censure, suspension, or bar from the securities industry, disgorgement of gains associated with the violations, and payment of restitution.